BUILDING VALUE IN EVERY WAY

NAIM

NAIM HOLDINGS BERHAD

Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the fourth quarter and twelve months ended 31 December 2019

(The figures have not been audited)

		CURRENT QUARTER		CUMULATIVE QUARTER	
		3 months ended 31 December		*12 months ended 31 December*	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue		79,765	166,477	410,769	605,426
Cost of sales		(70,039)	(116,861)	(352,762)	(501,503)
Gross profit		9,726	49,616	58,007	103,923
Other operating income		1,260	412	4,814	4,125
Selling and promotional expenses		(1,784)	(1,887)	(8,016)	(7,661)
Administrative expenses		(6,538)	(8,237)	(23,822)	(24,779)
Other operating expenses		(9,669)	(11,183)	(13,224)	(14,204)
Results from operating activities		(7,005)	28,721	17,759	61,404
Non-operating income		2,288	-	2,288	-
Finance income		3,878	2,358	13,477	8,567
Finance costs		(6,636)	(7,293)	(26,167)	(29,484)
Net finance costs		(2,758)	(4,935)	(12,690)	(20,917)
Share of results (net of tax) of equity-accounted:					
- associates		15,301	23,574	54,528	36,641
- joint ventures		933	862	727	2,222
Profit before tax	Note 19	8,759	48,222	62,612	79,350
Tax expense	Note 18	(471)	(9,304)	(4,886)	(15,927)
Profit for the period/year		8,288	38,918	57,726	63,423
Other comprehensive (loss)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		9	82	56	223
Change in fair value of equity investments designated at fair value through other comprehensive income		(21)	126	(21)	126
Share of other comprehensive (loss)/income of associates		(6,180)	(53)	(3,298)	1,978
Other comprehensive (loss)/income for the period/year		(6,192)	155	(3,263)	2,327
Total comprehensive income for the period/year		2,096	39,073	54,463	65,750
Profit/(Loss) attributable to:					
Owners of the Company		8,173	41,585	56,333	64,983
Non-controlling interests		115	(2,667)	1,393	(1,560)
Profit for the period/year		8,288	38,918	57,726	63,423
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,981	41,740	53,070	67,310
Non-controlling interests		115	(2,667)	1,393	(1,560)
Total comprehensive income for the period/year		2,096	39,073	54,463	65,750
Basic earning per ordinary share (EPS) attributable to owners of the Company (sen)	Note 9	1.63	17.55	11.25	27.43

The notes set out on pages 5 to 23 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD
Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019
(The figures have not been audited)

		Unaudited 31 December 2019 RM'000	Audited 31 December 2018 RM'000
ASSETS			
Property, plant and equipment		151,757	130,931
Interests in associates		483,346	408,428
Interests in joint ventures		2,283	4,387
Inventory - Land held for property development		367,833	373,407
Investment properties		80,889	85,161
Intangible assets		3,516	4,196
Deferred tax assets		12,148	12,081
Other investments		3,078	3,100
Trade and other receivables		57,003	65,563
Total non-current assets		**1,161,853**	**1,087,254**
Inventories		619,391	653,186
Contract costs		4,514	5,516
Contract assets		111,687	192,626
Trade and other receivables		108,682	157,525
Deposits and prepayments		6,066	9,154
Current tax recoverable		999	10,714
Cash and cash equivalents		226,583	148,070
		1,077,922	1,176,791
Assets classified as held for sale		4,432	595
Total current assets		**1,082,354**	**1,177,386**
Total assets		**2,244,207**	**2,264,640**
EQUITY			
Share capital		454,802	336,092
Treasury shares		(34,748)	(34,748)
Reserves		928,196	873,762
Total equity attributable to owners of the Company		**1,348,250**	**1,175,106**
Non-controlling interests		19,822	17,993
Total equity		**1,368,072**	**1,193,099**
LIABILITIES			
Loans and borrowings	Note 8	139,954	171,881
Deferred tax liabilities		23,977	24,890
Trade and other payables		-	3,524
Total non-current liabilities		**163,931**	**200,295**
Loans and borrowings	Note 8	343,555	385,858
Trade and other payables		342,997	445,577
Contract liabilities		21,772	26,805
Provisions		3,614	7,994
Current tax payable		266	5,012
Total current liabilities		**712,204**	**871,246**
Total liabilities		**876,135**	**1,071,541**
Total equity and liabilities		**2,244,207**	**2,264,640**
Net assets (NA) per ordinary share attributable to owners of the Company (RM)		**2.62** #	**4.70**

\# *Derived based on the enlarged issued and paid up capital of approximately 513.80 million ordinary shares, upon the completion of rights issue in January 2019.*

The notes set out on pages 5 to 23 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

QUARTERLY REPORT - FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the fourth quarter and twelve months ended 31 December 2019
(The figures have not been audited)

		Total equity attributable to owners of the Company							
		Non-Distributable				Distributable			
		Share capital RM '000	Foreign currency translation reserve RM '000	Treasury shares RM '000	Other reserve RM '000	Retained earnings RM '000	Sub-total RM '000	Non-controlling interests RM '000	Total equity RM '000
For the 12 months ended 31 December 2018 (Audited)									
At 1 January 2018		336,092	10,917	(34,748)	129	795,406	1,107,796	19,553	1,127,349
Foreign currency translation differences for foreign operations		-	223	-	-	-	223	-	223
Change in fair value of equity investments designated at FVOCI		-	-	-	126		126		126
Share of other comprehensive income/(loss) of associates		-	2,018	-	(40)	-	1,978	-	1,978
Total other comprehensive income for the year		-	2,241	-	86	-	2,327	-	2,327
Profit for the year		-	-	-	-	64,983	64,983	(1,560)	63,423
Total comprehensive income/(loss) for the year		-	2,241	-	86	64,983	67,310	(1,560)	65,750
At 31 December 2018		336,092	13,158	(34,748)	215	860,389	1,175,106	17,993	1,193,099
For the 12 months ended 31 December 2019 (Unaudited)									
At 1 January 2019		336,092	13,158	(34,748)	215	860,389	1,175,106	17,993	1,193,099
Foreign currency translation differences for foreign operations		-	56	-	-	-	56	-	56
Change in fair value of equity investments designated at FVOCI		-	-	-	(21)	-	(21)	-	(21)
Share of other comprehensive loss of associates		-	(3,278)	-	(20)	-	(3,298)	-	(3,298)
Total other comprehensive loss for the year		-	(3,222)	-	(41)	-	(3,263)	-	(3,263)
Profit for the year		-	-	-	-	56,333	56,333	1,393	57,726
Total comprehensive income for the year		-	(3,222)	-	(41)	56,333	53,070	1,393	54,463
Changes in ownership interests in a subisidiary		-	-	-	-	1,364	1,364	1,636	3,000
Contribution by owners of the Company									
- Issue of ordinary shares via Rights Issue	Note 5	118,710	-	-	-	-	118,710	-	118,710
Transaction with non-controlling interests									
- Dividends paid by a subsidiary		-	-	-	-	-	-	(1,200)	(1,200)
At 31 December 2019		454,802	9,936	(34,748)	174	918,086	1,348,250	19,822	1,368,072

The notes set out on pages 5 to 23 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

BUILDING VALUE IN EVERY WAY

NAIM HOLDINGS BERHAD (585467-M)
Registration No.: 200201017804 (585467-M)

QUARTERLY REPORT - FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF CASH FLOWS
For the fourth quarter and twelve months ended 31 December 2019
(The figures have not been audited)

	Unaudited 31 December 2019 RM'000	Audited 31 December 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	62,612	79,350
Adjustments for:		
Amortisation of:		
- intangible asset	680	680
- investment properties	2,075	2,221
Change in fair value of equity investments	21	(126)
Depreciation of property, plant and equipment	5,648	7,151
Dividend income from unquoted shares	(4)	(4)
Finance income	(13,477)	(8,567)
Finance costs	26,167	29,484
Gain on disposal of:		
- property, plant and equipment	(123)	(263)
- assets held for sale	(236)	(785)
- rights to redeemable convertible preference shares of an associate	(2,288)	-
Property, plant and equipment written off	7	56
Net change in impairment loss on financial assets and contract assets	4,570	9,579
Share of results of equity-accounted:		
- associates	(54,528)	(36,641)
- joint ventures	(727)	(2,222)
Unrealised foreign exchange loss/(gain)	358	(61)
Operating profit before changes in working capital	30,755	79,852
Changes in working capital:		
Inventories	38,170	(18,270)
Contract assets/liabilities	73,624	(29,893)
Contract cost	1,002	4,787
Trade and other receivables, deposits and prepayments	58,653	12,811
Trade and other payables	(111,131)	66,653
Cash generated from operations	91,073	115,940
Net income taxes paid	(1,126)	(6,966)
Net cash from operating activities	89,947	108,974
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(27,702)	(33,853)
Additional investment in an associate	(23,453)	-
Proceeds from disposal of:		
- property, plant and equipment	191	323
- assets held for sale	750	841
- subsidiary	3,000	-
- rights to redeemable convertible preference shares of an associate	2,288	-
Changes in pledged deposits	(570)	(1,650)
Distribution of profit received from a joint venture	3,060	4,080
Dividends received	4	4
Interest received	12,988	8,469
Net cash used in investing activities	(29,444)	(21,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	118,710	-
Net (repayments of)/proceeds from loans and borrowings	(74,208)	12,359
Repayment of finance lease liabilities	(22)	(24)
Interest paid	(26,856)	(29,453)
Net cash from/(used in) financing activities	17,624	(17,118)
Net increase in cash and cash equivalents	78,127	70,070
Effects of exchange rate changes on cash and cash equivalents	(184)	89
Cash and cash equivalents at beginning of year	133,453	63,294
CASH AND CASH EQUIVALENTS AT END OF YEAR	**211,396**	**133,453**
Representing by:		
Deposits with licensed banks with maturities less than three months, net of deposits pledged	157,748	59,755
Cash in hand and at banks	53,648	73,698
Total cash and cash equivalents as shown in statement of cash flows	211,396	133,453

The notes set out on pages 5 to 23 form an integral part of, and should be read in conjunction with, these condensed consolidated interim financial statements.
The consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

QUARTERLY REPORT - FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Naim Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The condensed consolidated interim financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134, *Interim Financial Reporting* in Malaysia and IAS 134, *Interim Financial Reporting*.

These condensed consolidated interim financial statements do not include all of the information required for a complete annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

The annual financial statements of the Group as at and for the year ended 31 December 2018 are available upon request from the Company's registered office at 9th floor, Wisma Naim, 2 ½ Mile, Rock Road, 93200 Kuching, Sarawak, Malaysia.

2. Significant accounting policies

The accounting policies adopted by the Group in preparing the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2018, except as explained below.

During the current year under review, the Group has adopted the following accounting standards, interpretations and amendments which are effective for annual periods beginning on and after 1 January 2019:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*

2. Significant accounting policies (continued)

- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

The adoption of the above MFRS standards, interpretations and associated amendments does not have any material financial impact on the financial statements of the Group, except for the following:

MFRS *16, Leases*

MFRS 16 replaces the existing leases guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard which continues to classify leases as finance or operating lease.

The Group adopted MFRS 16 using the modified retrospective method and the comparative figures were not restated.

Having completed a detailed assessment of all lease contracts existing on the date of initial application of MFRS 16, the Group concluded that the adoption of this standard did not have significant impact on its financial statements, other than the presentation of certain leasehold land (classified under property, plant and equipment and investment properties) as right-to-use assets.

For leases that met the definition of low value assets and short-term leases under MFRS 16, the Group had elected not to recognise them as right-to-use assets and the associated lease liabilities for these leases. The lease payments for these low value assets and short-term leases are recognised as expenses to profit or loss, on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.1 Standards, amendments and interpretations yet to be effective

The Group has not applied the following MFRSs and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but are neither effective yet nor early adopted by the Group:

- ***MFRSs effective for annual periods beginning on or after 1 January 2020***

  - Amendment to MFRS 3, *Business Combinations – Definition of a Business*
  - Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
  - Amendments to MFRS 9 *Financial Instruments,* MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

- ***MFRSs effective for annual periods beginning on or after 1 January 2021***

  - MFRS 17, *Insurance Contracts*

- ***MFRSs effective from a date yet to be determined***

  - Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of the above MFRS standards and associated amendments is not expected to have any material financial impact on the financial statements of the Group.

3. Seasonality or cyclicality of operations

The business operations of the Group are not materially affected by any seasonal or cyclical fluctuations during the year under review.

4. Estimates

The preparation of the condensed consolidated interim financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

4. Estimates (continued)

The significant judgements made by management in applying the Group's accounting policies and the areas of estimation uncertainty comprise those disclosed in the annual financial statements as at and for the year ended 31 December 2018.

5. Debt and equity securities

On 25 January 2019, the Company completed a Proposed Rights Issue following the listing and quotation of 263,799,322 Rights shares on the Main Market of Bursa Malaysia Securities Berhad with total Rights Issue proceeds of about RM118.71 million. The total issued and paid up capital of the Company, after the completion of the Rights Issue and excluding treasury shares held, is RM454.80 million, comprising 500,743,322 ordinary shares.

In December 2019, the Company also disposed of its entitlement rights to redeemable convertible preference shares ("RCPS") issued by an associate, Perdana Petroleum Berhad ("PPB") for cash. About RM2.3 million gain was recognised from the disposal of the RCPS rights.

Save as disclosed above, there were no other issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current year under review.

There was no share buy-back during the year under review. The number of ordinary shares repurchased in earlier periods retained as treasury shares as at 31 December 2019 is 13,056,000 shares.

6. Property, plant and equipment - *acquisitions and disposals*

During the current year, the Group acquired property, plant and equipment costing about RM27.7 million (2018: RM33.9 million) which were satisfied in cash.

Property, plant and equipment with a carrying amount of about RM75,000 (2018: RM116,000) were either disposed of and/or written off during the year under review.

7. Changes in the composition of the Group

In December 2019, one of the subsidiaries, Naim Land Sdn. Bhd. ("NLSB"), disposed of 30% of its equity interest held in Peranan Makmur Sdn. Bhd. ("PMSB") to minority shareholders at a total cash consideration of RM3.0 million. The resultant equity interest held by NLSB in PMSB decreased from 100% to 70% following the disposal.

This change in the ownership interest was accounted for as an equity transaction between the Group and non-controlling interests. The change in the Group's share of net assets of RM1.4 million was adjusted against the retained earnings account. The Group also recognised an increase in non-controlling interests of RM1.6 million.

Saved as disclosed, there are no other changes in the composition of the Group.

8. Loans and borrowings

			31 December 2019 RM'000	31 December 2018 RM'000
Non-current				
Secured	-	Term loans	139,949	171,853
	-	Finance lease	5	28
			139,954	171,881
Current				
Unsecured	-	Revolving credits	294,000	342,000
Secured	-	Term loans	49,533	43,837
	-	Finance lease	22	21
			343,555	385,858
Total			483,509	557,739

9. Earnings per ordinary share ("EPS")

Basic EPS

The calculation of the basic EPS was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	12 months ended 31 December 2019	2018
Profit attributable to owners of the Company (RM'000)	56,333	64,983
Weighted average number of ordinary shares, net of treasury shares bought back in previous years ('000)	500,743	236,944
Basic EPS (sen)	11.25	27.43

Diluted EPS

No diluted EPS was presented as there are no dilutive potential ordinary shares.

10. Dividend

No dividend was declared/paid during the year under review.

11. Operating segments

The Group has three reportable segments, which are the Group's strategic business units. For each of the strategic business units, the Group Managing Director (GMD) (being the Chief Operating Decision Maker), reviews internal management reports for resource allocation and decision making at least on a quarterly basis.

The following summary describes the operations in each of the Group's existing reporting segments.

Property development	- Development and construction of residential and commercial properties (including sale of vacant land).
Construction	- Construction of buildings, roads, bridges and other infrastructure and engineering works (including oil and gas related construction projects).
Others	- All other business segments with profit contributions less than 10%. This includes manufacture and sale of buildings and construction materials, provision of sand extraction and land filling services, property investment and management as well as quarry operation.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the GMD. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

There are varying levels of integration between the reportable segments. Inter-segment pricing is determined on negotiated terms. Unallocated items mainly comprise corporate and headquarters expenses and other investment income, which are managed on a group basis and are not allocated to any operating segment.

Segment assets and liabilities

The GMD reviews the statements of financial position of subsidiaries for resource allocation and decision making instead of a summary of consolidated assets and liabilities by segments. As such, information on segment assets and segment liabilities is not presented.

QUARTERLY REPORT - FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Operating segments (continued)

	Property development		**Construction**		**Others**		**Inter-segment elimination**		**Consolidated**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
For the 12 months ended 31 December										
Revenue from external customers	163,674	162,157	225,819	417,535	21,276	25,734	-	-	410,769	605,426
Inter segment revenue	-	-	-	-	4,825	5,112	(4,825)	(5,112)	-	-
Total segment revenue	163,674	162,157	225,819	417,535	26,101	30,846	(4,825)	(5,112)	410,769	605,426
Segment profit/(loss)	1,573	12,230	18,084	53,215	(2,396)	(11,545)	(1,492)	(1,734)	15,769	52,166
Share of results (net of tax) of:										
- associates, other than Dayang Enterprise Holdings Bhd. ("DEHB group")	(5,171)	(4,723)	2,480	2,683	(1,247)	-	-	-	(3,938)	(2,040)
- joint ventures	-	-	727	2,222	-	-	-	-	727	2,222
	(3,598)	7,507	21,291	58,120	(3,643)	(11,545)	(1,492)	(1,734)	12,558	52,348
Unallocated expense									(8,412)	(11,679)
Share of results (net of tax) of associates, DEHB group[1] (in oil and gas segment)									58,466	38,681
Tax expense									(4,886)	(15,927)
Profit for the year									57,726	63,423
Other comprehensive (loss)/income, net of tax									(3,263)	2,327
Total comprehensive income for the year									54,463	65,750
Non-controlling interests									(1,393)	1,560
Total comprehensive income attributable to the owners of the Company									53,070	67,310

[1] *Share of results of DEHB Group comprised the share of results from two associates, DEHB and Perdana Petroleum Berhad*

12. Subsequent events

An associate, Perdana Petroleum Berhad (PPB), in which the Company holds both direct and indirect equity interests, issued 1.46 billion redeemable convertible preference shares ("RCPS") on 30 December 2019. Following the conversion of some 1.08 billion RCPS into ordinary shares in PPB since the beginning of 2020 till the date of this report, the Company's direct equity interest in PPB has been diluted from 9.9% to 4.1%. As the conversion of the RCPS into ordinary shares in PPB is on-going, the full impact of the dilution of the Company's direct and indirect equity interests in PPB can only be determined at a later stage when the conversion is complete and the relevant information has been obtained to facilitate the calculation of the impact.

Save as disclosed above, there are no material events subsequent to the end of the year reported on, that has not been reflected in the condensed consolidated interim financial statements for the said period, made up to the date of this quarterly report.

13. Contingencies

There were no contingent liabilities in respect of the Group that had arisen since 31 December 2018 till the date of this quarterly report, except for those disclosed in Note 22.

14. Capital expenditure commitments

	31 December 2019 RM'000	31 December 2018 RM'000
Property, plant and equipment		
- Authorised but not contracted for	2,967	2,435
- Contracted but not provided for	-	24,100
	2,967	26,535
	=======	=======

15. Financial risk management

The Group's financial risk management objectives, policies and processes and risk profiles are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2018.

16. Related parties

i) Transactions with key management personnel

Compensations payable/paid to key management personnel during the year under review are as follows:

	12 months ended 31 December 2019 RM'000	12 months ended 31 December 2018 RM'000
Directors of the Company	5,118	5,247
Other key management personnel	5,673	6,719
	10,791	11,966

ii) Other related party transactions

	Transaction value 12 months ended 31 December 2019 RM'000	Transaction value 12 months ended 31 December 2018 RM'000	Balance outstanding as at 31 December 2019 RM'000	Balance outstanding as at 31 December 2018 RM'000
<u>Transactions with associates</u>				
Construction contract cost	122,634	197,807	(8,680)	(18,832)
Construction contract sum billed	(8,198)	(37,121)	3,875	9,404
Fee charged on management services rendered	-	(675)	-	-
Rental expense on machinery	-	210	-	(210)
Sale of construction raw materials	-	-	223	223

<u>Transaction with a company in which certain substantial shareholders have or are deemed to have interests</u>

	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental expense on properties	-	594	(14)	(686)

16. Related parties (continued)

ii) Other related party transactions (continued)

	Transaction value 12 months ended 31 December		Balance outstanding as at 31 December	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Transaction with certain members of the key management personnel of the Group				
Consultant fee paid	60	60	-	-
	=======	=======	=======	=======
Transaction with key management personnel				
Sale of properties	-	779	-	-
Consultant fee paid	180	162	-	-
	=======	=======	=======	=======

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17. Review of Group performance

Current 12-month vs corresponding preceding 12-month review (December 2019 vs December 2018)

	Cumulative quarters	
	12 months ended 31 December	
	2019	2018
	RM'000	RM'000
Revenue	410,769	605,426
Profit before tax	62,612	79,350

The Group recorded lower revenue of RM410.8 million for the year under review, as compared to RM605.4 million reported in 2018. The decrease was mainly attributable to the Construction division, which recorded a 46% decrease in its revenue when compared against that achieved in the 2018.

At the same time, the Group achieved a lower profit before tax of RM62.6 million, a 21% decrease when compared against that achieved in 2018. The fluctuation in net profit was explained as follows:

- lower profit contribution from both the Property and Construction divisions, which reported a total segment profit of RM19.7 million, against that achieved in 2018 of RM65.4 million.
- substantial improvement in the share of the results from Dayang Enterprise Holdings Bhd. ("DEHB") and its subsidiary, Perdana Petroleum Berhad ("PPB"), from RM38.7 million in 2018 to RM58.5 million in the current year under review, as result of improved works orders.

Current 3-month vs immediate preceding 3-month review (December 2019 vs September 2019)

	Current	Immediate preceding
	3 months ended	3 months ended
	31 December 2019	30 September 2019
	RM'000	RM'000
Revenue	79,765	30,188
Profit before tax	8,759	37,164

When compared to the immediate preceding quarter (July to September 2019), the increase in group revenue were mainly due to higher work progress achieved at site as well as higher new property sales secured during this 3-month period. However, the Group had reported a lower profit before tax of RM8.8 million during the current period, partly due to lower contributions from the projects that were completed during the period.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance (continued)

Current 3-month vs immediate preceding 3-month review (December 2019 vs September 2019) (continued)

At the same time, the share of profit from the associate, DEHB, had also decreased from RM29.9 million in the immediate preceding 3-month period to RM19.9 million in the current 3-month period.

Detailed review of the performance and prospects of each operating segment (as shown in Note 11) are discussed in Section 17.1 below.

17.1 Review of performance of operating segments and current year prospects

a) Property

Current 12-month vs corresponding preceding 12-month review (December 2019 vs December 2018)

	Cumulative quarters	
	12 months ended 31 December	
	2019	2018
	RM'000	RM'000
Revenue	163,674	162,157
Segment profit	1,573	12,230

Despite higher new property sales achieved of about RM159.5 million (2018: RM133.1 million), Property revenue and profit did not increase proportionately to the new sales achieved. This was mainly due to competitive rebates given to property buyers as part of strategies to clear off the existing property stock. The changes in product mix sold where more residential properties were sold also led to the drop in the segment profit.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance (continued)

17.1 Review of performance of operating segments and current year prospects (continued)

a) ***Property*** **(continued)**

Current 3-month vs immediate preceding 3-month review (December 2019 vs September 2019)

	Current 3 months ended 31 December 2019 RM'000	Immediate preceding 3 months ended 30 September 2019 RM'000
Revenue	43,718	23,453
Segment (loss)/profit	(2,683)	2,011

The increase in Property revenue in the current 3-month period was partly due to higher work progress achieved from existing on-going development projects. In addition, the Group had managed to secure new Property sales of RM24.6 million during the current 3-month period, 57% higher than that achieved in the immediate preceding quarter.

Nevertheless, the segment registered a loss of RM2.7 million in the current 3-month period, mainly due to declined margins from certain development projects as a result of competitive rebates given and incurrence of fixed overhead costs.

Prospects

The property market remains challenging due to factors such as rising costs of doing business, increased competition, huge overhang of property stocks in the market, weak buying sentiment, strict bank lending policy etc.

Our main focus remains on our existing three main flagship/integrated developments in Miri, Bintulu and Kuching. We have adopted a more cautious approach towards product launches and product types, to be more selective and sensitive to buyers' demand and market conditions. More medium range and affordable properties will be introduced to local markets in the years to come.

At the same time, various initiatives are put in to sell off the existing property stocks to improve this segment performance and reduce associated holding costs.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance (continued)

17.1 Review of performance of operating segments and current year prospects (continued)

b) Construction

Current 12-month vs corresponding preceding 12-month review (December 2019 vs December 2018)

	Cumulative quarters 12 months ended 31 December	
	2019	2018
	RM'000	RM'000
Revenue	225,819	417,535
Segment profit	18,084	53,215

Both Construction revenue and profit had dropped by 46% and 66% respectively, mainly due to lower contributions from projects that were substantially completed in previous year. However, the Group had recorded some cost savings from certain completed projects, contributing partly to the current year's profit.

Higher segment profit of RM53.2 million reported in the last year ended 31 December 2018 was mainly due to recovery of additional claims of about RM27.0 million for a completed project.

Current 3-month vs immediate preceding 3-month review (December 2019 vs September 2019)

	Current 3 months ended 31 December 2019	Immediate preceding 3 months ended 30 September 2019
	RM'000	RM'000
Revenue	31,293	1,070
Segment profit	1,190	6,510

Higher Construction revenue of RM31.3 million was reported in the current 3-month, against RM1.1 million reported in the immediate preceding 3-month (July to September 2019), mainly due to higher work progress achieved from the on-going project.

However, the Construction profit had declined from RM6.5 million in September 2019 to RM1.2 million in the current period, mainly due to additional fair value adjustments of RM4.0 million made against certain outstanding trade receivables during the period and incurrence of fixed overheads.

Other notes pursuant to Bursa Malaysia Listing Requirements: Chapter 9, Appendix 9B, Part A

17. Review of Group performance (continued)

17.1 Review of performance of operating segments and current year prospects (continued)

b) Construction (continued)

Current 3-month vs immediate preceding 3-month review (December 2019 vs September 2019) (continued)

Higher segment profit of RM6.5 million in the immediate preceding period (July to September 2019) was mainly due to additional cost savings from certain substantially completed projects.

Prospects

We continue to implement measures to improve efficiency and control costs. At the same time, we also enhance project monitoring to ensure projects are on schedule, improve risk management system and embark on tightening of internal controls for this segment.

With continuous efforts and resources invested to further improve our project deliverables, we will focus to complete the current outstanding order book at decent margin and within scheduled timeline. At the same time, we are cautious and selective in project tendering and focus particularly on those projects where we have proven records and experiences, supported with current project management resources.

c) Other Segment

Current 12-month vs corresponding preceding 12-month review (December 2019 vs December 2018)

	Cumulative quarters 12 months ended 31 December	
	2019	**2018**
	RM'000	**RM'000**
Revenue	21,276	25,734
Segment loss	(2,396)	(11,545)

The drop in Other segment revenue was mainly due to lower trading sales, about 46% lower than that reported in 2018. However, Other segment registered lower loss of RM2.4 million, compared to the loss of RM11.5 million reported in 2018, due to incurrence of fixed overheads.

17. Review of Group performance (continued)

17.1 Review of performance of operating segments and current year prospects (continued)

c) Other Segment (continued)

Current 12-month vs corresponding preceding 12-month review (December 2019 vs December 2018) (continued)

Higher loss of RM11.5 million reported in 2018 for Other segment was mainly attributable to the impact of fair value adjustments of RM10.1 million made against some trade receivables following the adoption of MFRS 9 during 2018.

Current 3-month vs immediate preceding 3-month review (December 2019 vs September 2019)

	Current 3 months ended 31 December 2019 RM'000	Immediate preceding 3 months ended 30 September 2019 RM'000
Revenue	4,754	5,665
Segment loss	(595)	(834)

When compared to the immediate preceding quarter, Other segment showed a slight decline in revenue during the current 3 months, mainly attributable to lower trading sales during the current quarter.

At the same time, Other segment continuously reported marginal loss due to the incurrence of fixed overheads.

Prospects

The property investment and trading operations will continue to contribute positively to the Group results.

Our first business hotel under the trade name of "Fairfield by Marriott Bintulu Paragon" had commenced its operation in December 2019. We expect the hotel performance will be progressively built up and improve over a period of time, depending on local market demand, competitive room rates and occupancy rates.

We will continue to improve the quarry operations and achieve economies of scale to manage fixed overheads costs.

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17. Review of Group performance (continued)

17.2 Review of performance of major associate

For the current year under review, our associate, Dayang Enterprise Holdings Bhd. ("DEHB"), reported an unaudited profit after tax attributable to owners of about RM236.3 million (2018: RM160.2 million). The improvement in DEHB's performance was mainly due to higher maintenance work orders performed with improved margin, a one-off extraordinary accounting gain arising from the acquisition of a new subsidiary as well as reversal of impairment of assets during the year under review.

18. Tax expense

Despite the group profit before tax being only RM7.4 million for the year under review (excluding the share of results from the associates and joint ventures), the Group incurred tax expense of RM4.9 million, mainly due to higher non-deductible expenses as well as the effect of unrecognised deferred tax assets arising from certain loss making operations.

19. Additional disclosures on profit before tax

	12 months ended 31 December	
	2019	**2018**
	RM'000	**RM'000**
Profit before tax is arrived at after (crediting)/charging:		
Gain on disposal of:		
- property, plant and equipment	(123)	(263)
- assets held for sale	(236)	(785)
- rights to redeemable convertible preference shares of an associate	(2,288)	-
Interest income from fixed deposits and cash funds	(7,433)	(1,415)
Other interest income	(6,044)	(7,152)
Amortisation of:		
- intangible assets	680	680
- investment properties	2,075	2,221
Depreciation of property, plant and equipment	5,648	7,151
Foreign exchange loss/(gain):		
- unrealised	358	(61)
- realised	(59)	259
Interest expense on loans and borrowings	26,167	29,484
Allowance for impairment loss on receivables	4,570	9,579
Property, plant and equipment written off	7	56

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19. Additional disclosures on profit before tax (continued)

Save as disclosed, there were neither impairment of assets, provision for and write-off of inventories, gain or loss arising from disposal of financial derivatives or other exceptional items for the year under review.

20. Profit guarantee

The Group did not issue any profit guarantee.

21. Derivative financial instruments

The Group does not have any outstanding financial derivatives as at 31 December 2019.

22. Update of material litigations status

Land issue

On 20 March 2017, Naim Land Sdn. Bhd. ("NLSB") received a Writ of Summons from 2 persons suing on behalf of themselves and their other siblings and families, claiming against NLSB, the Superintendent of Land & Survey, Miri Division and the State Government of Sarawak to have native customary rights ("NCR") over an area of approximately 47.15 acres within parcels of land described as Lots 8837 and Lot 6182 both of Block 11 Kuala Baram Land District and Lot 820 Block 13 Kuala Baram Land District, which is within NLSB's existing township areas. The land was previously alienated by the State Government of Sarawak in 1997 and due land premium had been settled in prior years.

NLSB filed its Defence to the claim on 26 May 2017 and had on 3 July 2017 filed a Notice of Application for certain questions or issues of law to be determined before or without a full trial of the action and consequentially, if appropriate, to strike out the plaintiff's Statement of Claim. Parties had exchanged affidavits in respect of the said application and ruling on the same was delivered on 17 January 2018; wherein the judge ruled that there was no merit in NLSB's application and dismissed the application with costs of RM1,000, and had set down the matter for trial from 21 to 25 May 2018. However, NLSB had filed a Notice of Appeal to the Court of Appeal on 1 February 2018 against the Judge's ruling, which appeal is awaiting hearing. The main trial is held in abeyance pending disposal of NLSB's appeal to the Court of Appeal.

There are no changes in the litigation status during the period under review.

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23. Status of corporate proposals

There are no corporate proposals announced and/or not completed at the date of this quarterly report. The rights issue exercise as disclosed in Note 5 was completed in January 2019.

24. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2018 was not qualified.

25. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 February 2020.